

## Former Engineer Wins With Bets in Technology

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It took all of a few months for Rick Rickertsen to fall out of love.

For Mr. Rickertsen, it happened in a clinically cleaned and scrubbed lab at the storage products division of International Business Machines Corp., where the white-coated technicians flittered about making aesthetically beautiful but unromantic, large discs.

"I was forever cured of my interest in engineering," says Mr. Rickertsen, then working at IBM while an industrial-engineering student at Stanford University. But, he says, "I still loved technology."

So what's a man to do?

Mr. Rickertsen found his answer: money. He figured if he didn't work in technology, he could still play a role in getting it to market.

At Thayer Capital Partners, based in Washington, D.C., Mr. Rickertsen serves as chief operating officer and leads the firm's information technology and software investment efforts. The company has \$1.2 billion under management, focusing primarily on business services and outsourced manufacturing.

The firm, which specializes in buyouts, has 19 portfolio companies, eight of which are "realized" — now publicly traded or sold. On the realized companies, Thayer's return on capital is more than 74%. That includes bulletin-board traded Aegis Communications Group Inc., Classic Vacation Group Inc., ePlus Inc. and SAGA Systems Inc., which Thayer sold back to parent company Software AG after helping fund a 1997 management buyout.

Overall, the firm's rate of return is 29%, Mr. Rickertsen says.

The firm was one of the few that sat out the "dot-com" and telecom explosion of 1999.

"I've got to tell you, there were many times when we were kicking ourselves," Mr. Rickertsen recalls. "There was enormous internal pressure to do dot-com deals. The younger professionals were pounding the table. We just never could get comfortable with the valuations."

"I mean, there were companies with \$700,000 in revenue run by a 23-year-old kid, and they would raise \$80 million," he says. "A hundred times revenue was really not unheard of. We were either too slow or too dumb. Really, this is a business where you've got to think long-term."

And as a venture capitalist, you have to stick to what you know. At Thayer, Mr. Rickertsen and founder Fred Malek stayed the course despite the dot-com mania.

Mr. Rickertsen says that is one of the keys to ensuring good returns.

"A lot of generalists did get off track," he says. "You really have to stick to the sectors you know."

Thayer focuses on sectors where its management team has investment or operating experience, including information technology, outsourced manufacturing, travel and leisure services and outsourced business services. The firm has chosen these areas due to their characteristics of strong growth, high fragmentation and meaningful barriers to entry.

In March 1999, Thayer closed on \$880 million in capital from investors in its second corporate private-equity

fund, Thayer Equity Investors IV. The fund focuses on a diversified portfolio of management buyout, industry consolidation and growth equity investments in the middle-market arena.

The portfolio includes two public companies — electronics contract manufacturer EFTC Corp. and printed circuit board maker TTM Technologies Inc. — and nine closely held companies. The funds' private investments include Pryor Resources Inc., an educational-services company; IESI Holdings Inc., an environmental-services company; K\*Tec Electronics Inc., an electronics-manufacturing services company; and Vigilinx Inc., a digital-security-solutions company.

Thayer will begin raising another fund this year, with planning already under way. Traditionally, each subsequent fund is larger than its predecessor.

Despite the recent downturn in the public markets, Mr. Rickertsen says, the long-term outlook is bright.

"I think the rest of this year is going to be tough in technology," he says. "But in the first quarter of next year, we should be in good shape. The fundamentals to drive IT spending are still there. [But] building companies and getting value is not something that happens on Internet time."

Mr. Rickertsen says his firm's limited partners remain upbeat about investing as well.

"There's still a lot of venture money being raised," he says. "The valuation talk is so dramatically different. There's still a lot of demand for private equity."